







## Highlights of The Year

(All dollars in thousands except amounts per share)

|                                                           | 1973        | 1972        | Percent<br>Increase Over<br>Last Year |
|-----------------------------------------------------------|-------------|-------------|---------------------------------------|
| Net sales and operating revenues .....                    | \$1,394,883 | \$1,348,826 | 3.4%                                  |
| Earnings before income taxes and extraordinary item ..... | 48,786      | 42,630      | 14.4                                  |
| Earnings before extraordinary item .....                  | 24,929      | 22,371      | 11.4                                  |
| Extraordinary item .....                                  | —           | 5,616       | —                                     |
| Net earnings .....                                        | 24,929      | 27,987      | —                                     |
| Earnings per common share:                                |             |             |                                       |
| Primary:                                                  |             |             |                                       |
| Earnings before extraordinary item .....                  | 5.32        | 4.09        | 30.1                                  |
| Extraordinary item .....                                  | —           | 1.15        | —                                     |
| Net earnings .....                                        | 5.32        | 5.24        | 1.5                                   |
| Fully diluted:                                            |             |             |                                       |
| Earnings before extraordinary item .....                  | 4.48        | 3.53        | 26.9                                  |
| Extraordinary item .....                                  | —           | .89         | —                                     |
| Net earnings .....                                        | 4.48        | 4.42        | 1.4                                   |
| Dividends per share of common stock .....                 | 1.35*       | 1.30        | —                                     |

\*Annual rate: \$1.40 per share

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## ANNUAL MEETING

The annual meeting of stockholders will be held at the home office of the company on Friday, June 28, 1974. A proxy statement, including a request for proxies, will be mailed to stockholders approximately three weeks prior to the meeting.



## To Our Stockholders:

This is the sixth successive year in which the company has had the opportunity to report record sales and dollar earnings. Primary earnings per share amounted to \$5.32, up 30 percent from \$4.09 reported last year before extraordinary items.

Fully diluted earnings per share were \$4.48, an increase of 27 percent over the fully diluted \$3.53 per share before extraordinary items reported for the previous year. Net earnings amounted to \$24,929,000 compared to \$22,371,000 before extraordinary items last year, an increase of 11 percent. Net earnings last year included approximately \$2,500,000 attributable to operations of businesses disposed of at year end 1972.

We are especially pleased with the splendid efforts of our operating divisions in the attainment of these results under most unusual, and at times, chaotic, economic conditions. Price controls and modifications thereof, political uncertainties and the attendant

**“...a succession of challenges to the ingenuity of our management people.”**

impacts upon our economy, material shortages, dislocations of delivery, fluctuations in the monetary system, international unrest, and accompanying all this, extremely high money costs, constituted at one time or another and to greater or lesser degree, a succession of challenges to the ingenuity of

our management people. We feel justly proud of the manner in which the challenges were met.

The charts and graphs in this Report are designed to dramatize and emphasize the steady pattern of earnings growth. Since 1969, the compounded growth rate in

**Since 1969...“the annual growth in per share earnings amounted to 19 percent.”**

net dollar earnings has exceeded 17 percent per year. The average annual growth in per share earnings amounted to 19 percent. In total, the results obtained reflect the strengthening of our centralized buying and merchandising efforts, the streamlining of our reporting and responsibility channels and the continued tightening of expense controls.

As always in a large enterprise, there were outstanding performances. We think particularly worthy of mention were the results of our hardlines operations in both the United States and Canada, the splendid management efforts of our food and drug people and the performance of our catalog sales and department store operations. Our hardlines operations in the United States and Canada were peculiarly well positioned to respond to the strong demand created by the dynamic farm economy. The performance of our Red Owl supermarket management was particularly noteworthy in meeting successfully what has probably been the most challenging period in the food distribution business since World War II.



Our financial service businesses, insurance, leasing and banking, continued to expand both their earnings and revenues at a most satisfactory rate.

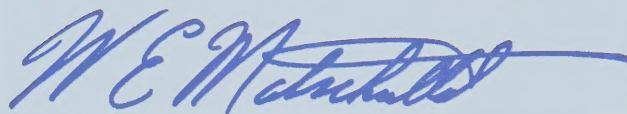
The section on Financial Highlights comments in more detail concerning noteworthy financial developments during the year which included the sale of more than \$25 million in additional subordinated income notes, an efficient debt form which serves as equity, thus bringing the amount outstanding to more than \$139 million;

further improvements in the company's employment of assets manifested by higher earnings on less assets employed; and the authorization by the Board to acquire additional shares of the company's common stock on the open market.

The year 1974 will undoubtedly develop new and continued challenges but we are confident that we have the management talent and experience to meet these challenges successfully.



BERTIN C. GAMBLE  
*Chairman of the Board  
and Chief Executive Officer*



WAYNE E. MATSCHULLAT  
*President*

*Directors of the company include, seated left to right, Forest R. Lombaer, Louis E. Dolan, Bertin C. Gamble (Board Chairman), Burr L. Robbins, and Walter H. Davies, Jr. Standing, left to right, are: Carle R. Wunderlich, Russell M. Bennett, Arthur G. Johnson, Wayne E. Matschullat, Bernard B. Zients, B. Fred Davidson, and Edwin O. Wack.*





## Merchandising Operations Financial Service Companies Financial Highlights Management



### MERCHANDISING OPERATIONS

Operating results of all divisions and subsidiaries improved during the year with our hardlines divisions in both the United States and Canada and our catalog sales operations being particularly strong.

Our 1972 Report noted the Gamble Stores Division's adoption of a new retailing concept which involves a standardized in-store merchandise mix geared to the identification now used for its hardlines stores called Gambles Home Products Centers. This new retailing presentation has produced very positive sales results in all merchandising categories, particularly appliances, hardware and automotive.

During 1973, the Gamble Stores Division exceeded by five the 40 new Gamble dealerships it was targeted to franchise. Also, during the past year, it converted 75 conventional Gamble stores to the new Gambles Home Products Center format.

Soon to be completed will be an 86,000-square foot addition to the present 140,000-square foot Denver warehouse. This distribution center currently serves 150 franchised Gamble dealers and company-owned Gamble stores in nine southwestern states. The rapid growth of the franchised dealer program, particularly in this section of the country, has made this warehouse expansion necessary.

The Canadian economy has developed inflationary pressures similar to those being experienced in the United States.

Nevertheless, our Canadian hardlines retail operations, both company-owned and dealer, had an excellent year. The new Canadian management team performed well in the face of aggressive new competition and capitalized fully on the opportunity presented by the strong farm economy in the prairie provinces. We look forward optimistically to continued strong growth in both the company-owned and franchised retail operations in Canada.

A new 431,000-square-foot distribution center is currently under construction in Edmonton, Alberta. This new warehousing facility will make it possible to franchise many new dealers

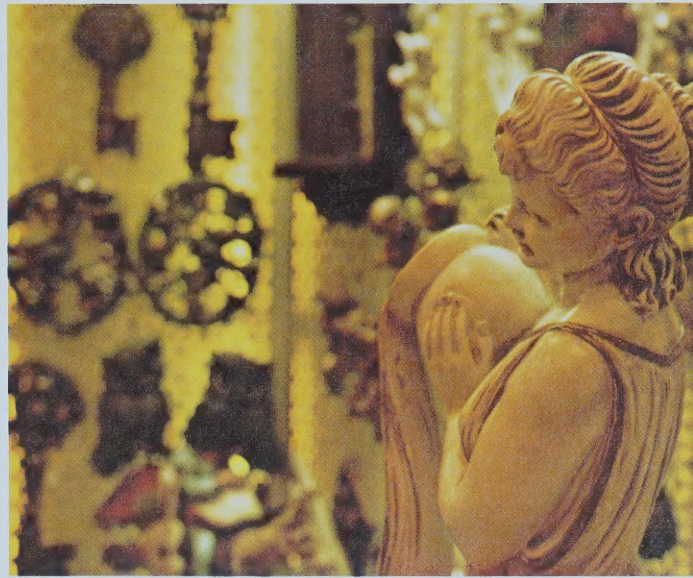


in Western Canada and to provide faster, more frequent delivery service to the 130 stores presently being served in this trade area.

At year end, an 85,000-square-foot addition to the Winnipeg, Manitoba, warehouse was completed, thus enabling this facility to keep pace with retail expansion in the area it serves.

Our Chicago-based catalog sales subsidiary continued the strong trend of the last several years, setting all-time records for both sales and earnings during 1973.

One of the nation's larger catalog operations, Aldens achieved this strong profit improvement through careful control of operating expense, increased turnover and improved inventory management. An important factor in this accomplishment was the continued elimination of unprofitable stock-keeping units while increasing sales volume on some 40,000 in-stock items.







Also, the program to upgrade merchandise quality continued successfully. Favorable customer reaction to this effort is reflected in the steady rise in the number of higher income level customers served.

A specialized direct mail operation called America Direct is now beginning its third year and has established itself as an important phase of our catalog operations. It is a major factor in the development of merchandising programs for national credit card companies. Continued development in 1974 is planned.

The year 1973 was particularly challenging to our food and drug chain. The environment of the marketplace was highly volatile and the food chains were caught in the squeeze between rising costs and price controls. Nevertheless, our food and drug group did improve sales, particularly in the drug area, and maintained earnings at a level very close to the record level attained in 1972.



Red Owl's earnings were unfavorably influenced by several factors: the Federal government's Phase III, IIIA, IIIB and IV of the economic stabilization programs, the high cost of borrowed money, a meat boycott early in the year, and later, the beef freeze.

Product shortages in many lines of merchandise frequently curtailed delivery schedules to stores and substantially impaired optimum inventory management.

Electronic registers are being installed in Twin City Red Owl stores. Innovative in the retail food industry, these registers provide faster customer service, improved cash control and data collection capabilities.



Four new, large company-owned food stores will be constructed this year; one being a 35,000-square-foot outlet in the metropolitan Twin Cities in an area not previously served by the food chain; two replacing present smaller, outmoded outlets in other metropolitan areas; and one replacing a unit destroyed by fire in late 1973. In addition, five company-owned stores will be upgraded and increased approximately 70 percent in size.



Seven franchised food stores will be opened in cities not presently being served, and seven larger dealer-owned replacement units will be completed in 1974.

Seven new Snyder drug outlets were franchised and ten company-owned units were remodeled during 1973.

On a corporate basis, progress has continued toward centralization of buying and merchandising lines in those product classifications where customer needs indicate a common opportunity among profit centers. Consolidations of buying activity have effected substantial reductions in administrative overhead, but more importantly, volume purchases of common merchandise lines have increased corporate buying power. Our continued emphasis in this direction attracts higher caliber suppliers who have the capability of offering quality and service and, as we place larger orders with fewer vendors, it enables us to buy more advantageously.







*More than 1000 Gamble franchised dealers, 300 suppliers and 14 trailer loads of merchandise converged on Houston, Texas in January where the spring and summer buying market was held in the Albert Thomas Convention Center.*

Interaction of the various profit centers at the buying and merchandising level frequently reveals opportunities for sales promotions. As merchandise items and lines show particular strength in one division, they can be immediately considered for use in another.

Encouragingly high sales of fashion merchandise, ladies' ready-to-wear, soft goods and domestics were reported by the company's department store and specialty shop divisions.

Woman's World shops, which were acquired during the year, offer moderately priced fashions, intimate apparel and related accessories for the larger size woman. This California-based subsidiary opened four shops during the year and has plans to open 12 additional outlets during 1974.

#### FINANCIAL SERVICE COMPANIES

The company's non-merchandising subsidiaries





continue to play an increasingly larger part in total operations of the company.

Gambles Insurance Group, which had an outstandingly successful operation in 1973, includes seven companies providing comprehensive insurance and insurance related services to Gambles employees, affiliates, franchised dealers, non-affiliated customers, and to an ever increasing extent, the general public.

Gamble Alden Life Insurance Company (GALIC) moved its corporate domicile to Minnesota in 1973, acquired a sizeable block of West Coast group life and health insurance business from an unaffiliated insurer, and introduced a tax sheltered retirement program to be marketed through its extensive agency/brokerage force to franchised dealers. GALIC plans to open four new sales offices in the United States in 1974, building its total sales offices to ten.

Gambles Insurance Company (GIC), now



*Construction has been completed on this 85,000-square-foot addition to Macleods previous 33,000-square-foot distribution center in Winnipeg, Manitoba.*







licensed in 18 states and with applications pending in several other states, plans to make homeowner and auto insurance available to employees of Gamble's and its various divisions, as well as to franchised dealers and their employees.

Gamble Alden Agency has substantially increased sales of homeowners and auto insurance to employees of Gamble's and its affiliated companies. The agency also offers "all risk" property and casualty protection, workmen's compensation and other coverages to franchised store operators.

Gamble's C & M Leasing Company, which is engaged in automobile and truck fleet leasing and management services, increased the

*Our Chicago-based catalog sales subsidiary has collaborated with the U.S. Postal Service in the development of a new, faster and less expensive method of handling merchandise being mailed to customers. Heretofore, packages were individually weighed and the exact postage then computed on each item — a time consuming operation requiring more than 100 employees. Now, a light-sensing device automatically counts the parcels as they move along a conveyor belt. Every 60th package, as selected by the electric eye, is weighed and the postage calculated. These samples are used in calculating the day's total volume handled.*





number of vehicles under lease by 40 percent, thus placing this subsidiary in the top 12 companies in the industry. While our various profit centers lease automotive equipment from C & M, it should be emphasized that more than 90 percent of its revenues are derived from contracts with non-affiliated companies.

The past year was another year of growth for Gambles Continental State Bank. Again, total resources and deposits at year end were at their highest levels, as were the number of persons utilizing banking services.

Gambles International Leasing Corporation greatly expanded its leasing revenues and contracts outstanding. Equipment under lease includes airplanes, computers, manufacturing equipment, office equipment and security systems.



*Gambles buyers and product designers are frequent visitors at the plants manufacturing Coronado appliances to assure complete compliance with production specifications.*







## FINANCIAL HIGHLIGHTS

In 1973, the company successfully sold a \$25 million, 30-year issue of subordinated income capital notes to raise total notes outstanding in this category to \$139 million. Stockholders' equity increased by \$4 million to \$216 million on record earnings, and total capital accounts, comprising both subordinated income notes and stockholders' equity, increased by \$29 million.

The company's operating balance sheet showed over \$100 million in cash at year end, there was no short term debt outstanding, and a current ratio of 1.9 to 1 was reflected.

A highlight of the year was the achievement of a long-time goal in consolidating the two U.S. finance companies into a single corporation. Gamble Aldens Finance Company, which purchased receivables from Aldens, and Gamble Skogmo Acceptance Corporation, which purchased receivables from the other divisions, have been combined into a single entity named Gambles Credit Corporation.

Of particular advantage to the company was the efficient management of assets during the peak levels of short-term interest rates. Commercial paper rates were 91 percent higher than in the previous year, and the bank prime rate reached 10 percent. Because of careful cash and inventory management, total borrowings for the year were substantially less than the previous year,

and, as a result, interest expense rose only 16 percent.

In December, 1973, the Board of Directors authorized the purchase by the company, in the open market or otherwise, of up to 400,000 shares of the company's common stock over a period of time and in compliance with approved procedures of the Securities and Exchange Commission. As we go to press, we have been able to acquire about 65 percent of the number of shares authorized by our Board.

## MANAGEMENT

The past year saw considerable strengthening of our corporate staff service capabilities.

### CORPORATE OFFICERS

At the June, 1973 Board Meeting, Charles E. Trussell, who had been Vice President for Corporate Planning, was named Vice President and Assistant to the President. In this capacity, Mr. Trussell assists the President with planning, the implementation of operating policies and the control of operating expenses.

In August, Frank T. Matthews was elected Vice President for Store Design, Construction and Display. He had been with a major national retailer for 18 years, most recently as Display and Store Planning Manager for that company's North Central Region. Mr. Matthews has embarked on a unified program of store design, construction, display, package and product design. Programs are now being planned and implemented in order to take advantage of quantity purchases for full corporate use.

Paul E. Grossman was elected Vice President for Retail Merchandising. He came to Gambles in September after 14 years of merchandising experience with a large merchandising corporation. In March of this year, Mr. Grossman was named President of the Tempo-Buckeye Stores Division. He continues as a corporate Vice President.

B. Fred Davidson retired on January 31, 1974. He had been a corporate Vice President since 1965, and a long-time adviser to Mr. Gamble, with 45 years of outstanding service to the company. Mr. Davidson continues to serve as a Director.



Charles H. Gauck, Assistant General Counsel, was elected Secretary, and Norman M. Steck was elected Treasurer. In these positions, they assumed responsibilities formerly assigned to Louis E. Dolan, Vice Chairman of the Board and General Counsel, and Walter H. Davies, Jr., Vice Chairman of the Board and Chief Financial Officer.

William E. Oppenheimer, corporate Insurance Manager, was elected Assistant Secretary, and Richard W. Nelson, of the Treasurer's Department, was elected Assistant Treasurer, the positions formerly held by Mr. Gauck and Mr. Steck.

We are saddened to report the death on February 6, 1974 of William H. Lollar, a corporate Vice President since 1966 and President of the Rasco Stores Division for the past 23 years. During Mr. Lollar's term of office, the Rasco Division grew from a chain of 49 small variety stores to a group of 164 diversified merchandising outlets on the West Coast and in the Southwest.

Replacing Mr. Lollar as President of Rasco and as a corporate Vice President is Herbert D. Nelson, who has been Senior Vice President of Merchandising for Rasco. Mr. Nelson will continue as President of Gambles Import Corporation.

James C. Bowie, formerly Assistant to the Vice President of Finance for the Rasco Stores Division, was named Assistant Controller for the company.

#### DIVISION AND SUBSIDIARY HEADS

Donald S. Rogers was elected President of Gambles Canada Limited, which directs the operations of the company's Canadian merchandising divisions. Mr. Rogers replaced R. Bruce Sutherland, who retired after a career spanning 49 years of Canadian retailing. Mr. Rogers had been an executive with Hudson's Bay Company for 19 years and later with Steinbergs Limited of Montreal, most recently as a Vice President and General Manager of that company's Miracle Mart Division.

Dennis R. Gibson was elected President of the Macleods Division after having been Managing Director for more than a year. Mr. Gibson



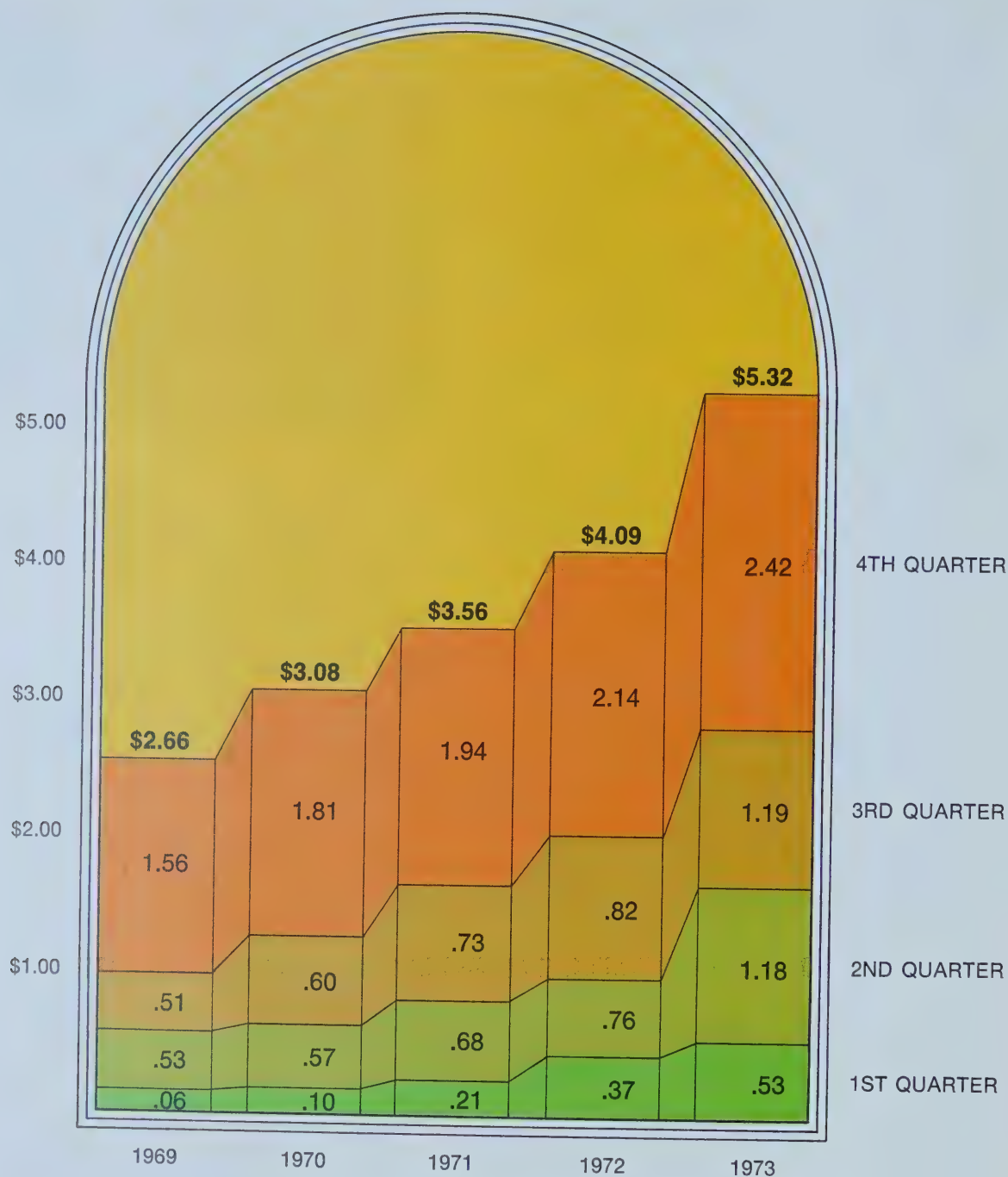
started in 1945 as a retail clerk with the Canadian hardlines chain.

Donald C. Halliday was elected President of the Stedmans Division, which consists of 311 variety stores in all the Canadian provinces. Mr. Halliday came to Stedmans from Steinbergs Limited of Montreal, where for the past six years he had been General Merchandise Manager for Softlines in Miracle Mart's mass merchandising division. Prior to that, he was with Hudson's Bay Company for 19 years.

Wayne E. Waldera was elected President of the Gamble Stores Division, which services 1,262 franchised and company-owned hardlines outlets in 24 states. Mr. Waldera replaced G. S. "Gus" Younger, who retired after having been President of the division since 1967 and a Gamble employee since 1933. Waldera has been with the company for 20 years, during which time he has served in a number of managerial capacities, most recently as Vice President for Merchandise of the Gamble Stores Division.

Robert A. Miesen has been named President of Gambles C & M Leasing Company, David A. Heider was elected President of Gambles Continental State Bank and Joseph G. Rousseau was elected President of Gambles International Leasing Corporation. All three men had previously served as Executive Vice President for their respective subsidiary companies.





For the past 18 consecutive quarters, each fiscal quarter has shown an improvement in earnings (excluding extraordinary items) over the comparable period of the previous year. Note that during the past five-year period, primary earnings per common share have doubled, moving from \$2.66 to \$5.32 per share.



## Summary of Operating Results by Group

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



| (Amounts in millions)             | 1973             |                  | 1972             |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | Amount           | Percent of Total | Amount           | Percent of Total |
| Net sales and operating revenues: |                  |                  |                  |                  |
| General merchandising .....       | \$ 643.0         | 46.1%            | \$ 618.5         | 45.9%            |
| Food and drugs .....              | 539.1            | 38.6             | 511.8            | 37.9             |
| Catalog sales .....               | 212.8            | 15.3             | 203.0            | 15.1             |
| Total merchandising .....         | 1,394.9          | 100.0            | 1,333.3          | 98.9             |
| Outdoor advertising .....         | —                | —                | 15.5             | 1.1              |
| Total .....                       | <u>\$1,394.9</u> | <u>100.0%</u>    | <u>\$1,348.8</u> | <u>100.0%</u>    |
| Earnings before income taxes:     |                  |                  |                  |                  |
| General merchandising .....       | \$ 26.4          | 54.1%            | \$ 21.1          | 49.6%            |
| Food and drugs .....              | 7.1              | 14.6             | 7.3              | 17.1             |
| Catalog sales .....               | 15.3             | 31.3             | 12.4             | 29.1             |
| Total merchandising .....         | 48.8             | 100.0            | 40.8             | 95.8             |
| Outdoor advertising .....         | —                | —                | 1.8              | 4.2              |
| Total .....                       | <u>\$ 48.8</u>   | <u>100.0%</u>    | <u>\$ 42.6</u>   | <u>100.0%</u>    |

The contribution to company earnings of the service subsidiaries has been included in the earnings of the merchandising divisions they serve.

## ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.  
1700 IDS Center  
Minneapolis, Minnesota 55402

The Board of Directors and Stockholders  
Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheets of Gamble-Skogmo, Inc. and consolidated subsidiaries as of January 26, 1974 and January 27, 1973 and the related consolidated statements of earnings, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at January 26, 1974 and January 27, 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Peat, Marwick, Mitchell & Co.*

March 18, 1974



# Consolidated Statement of Earnings

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



(All dollars in thousands except amounts per share)

**1973**

Fifty-two weeks ended  
January 26, 1974

**1972**

Fifty-two weeks ended  
January 27, 1973

|                                                                                                     |                    |                    |
|-----------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Net sales and operating revenues .....                                                              | <u>\$1,394,883</u> | <u>\$1,348,826</u> |
| Costs and expenses:                                                                                 |                    |                    |
| Cost of sales, including certain occupancy and buying costs                                         | 1,073,106          | 1,037,821          |
| Operating and administrative (Note 8) .....                                                         | 244,397            | 241,963            |
| Depreciation and amortization .....                                                                 | 10,624             | 12,089             |
| Interest, net of interest income of \$5,002 and \$4,062 .....                                       | 11,325             | 10,875             |
| Contribution to employees' pension and thrift sharing<br>plans (Note 5) .....                       | 7,084              | 5,726              |
| Total costs and expenses .....                                                                      | <u>1,346,536</u>   | <u>1,308,474</u>   |
| Other income — net .....                                                                            | 439                | 2,278              |
| Earnings before income taxes and extraordinary item .....                                           | 48,786             | 42,630             |
| Income taxes (Note 9) .....                                                                         | 23,857             | 20,259             |
| Earnings before extraordinary item .....                                                            | 24,929             | 22,371             |
| Gain on sale of Claude Neon Advertising, Ltd. stock, less<br>applicable income taxes of \$500 ..... | —                  | 5,616              |
| Net earnings .....                                                                                  | <u>\$ 24,929</u>   | <u>\$ 27,987</u>   |
| Earnings per common share:                                                                          |                    |                    |
| Primary:                                                                                            |                    |                    |
| Earnings before extraordinary item .....                                                            | \$ 5.32            | \$ 4.09            |
| Extraordinary item .....                                                                            | \$ —               | \$ 1.15            |
| Net earnings .....                                                                                  | \$ 5.32            | \$ 5.24            |
| Fully diluted:                                                                                      |                    |                    |
| Earnings before extraordinary item .....                                                            | \$ 4.48            | \$ 3.53            |
| Extraordinary item .....                                                                            | \$ —               | \$ .89             |
| Net earnings .....                                                                                  | <u>\$ 4.48</u>     | <u>\$ 4.42</u>     |

*See accompanying notes to consolidated financial statements.*



# Consolidated Balance Sheet

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



(All dollars in thousands)

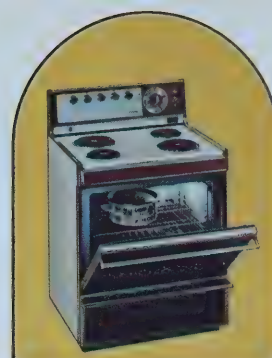
|                                                                                                 | 1973<br>January 26, 1974 | 1972<br>January 27, 1973 |
|-------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                                                                   |                          |                          |
| Current assets:                                                                                 |                          |                          |
| Cash .....                                                                                      | \$ 25,815                | \$ 10,193                |
| Temporary cash investments .....                                                                | 82,167                   | 57,849                   |
| Total .....                                                                                     | 107,982                  | 68,042                   |
| Receivables (Note 1) .....                                                                      | 36,850                   | 41,190                   |
| Inventories .....                                                                               | 230,396                  | 212,870                  |
| Prepaid expenses .....                                                                          | 9,588                    | 9,795                    |
| Total current assets .....                                                                      | 384,816                  | 331,897                  |
| Investments, principally unconsolidated subsidiaries .....                                      | 85,677                   | 87,681                   |
| Property and equipment — net (Note 2) .....                                                     | 91,808                   | 95,611                   |
| Excess of cost over equity in companies acquired .....                                          | 26,229                   | 26,300                   |
| Deferred charges and other assets .....                                                         | 10,678                   | 12,011                   |
|                                                                                                 | <u>\$599,208</u>         | <u>\$553,500</u>         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                     |                          |                          |
| Current liabilities:                                                                            |                          |                          |
| Current instalments of long-term debt .....                                                     | \$ 4,046                 | \$ 5,595                 |
| Accounts payable and accrued liabilities .....                                                  | 145,645                  | 120,970                  |
| Current income taxes .....                                                                      | 13,166                   | 14,286                   |
| Deferred taxes applicable to instalment sales .....                                             | 44,494                   | 46,506                   |
| Total current liabilities .....                                                                 | 207,351                  | 187,357                  |
| Deferred credits, principally deferred taxes .....                                              | 6,476                    | 5,813                    |
| Long-term debt (Note 3) excluding subordinated income notes<br>shown below as capital accounts: |                          |                          |
| Operating companies .....                                                                       | 11,048                   | 13,708                   |
| Real estate companies .....                                                                     | 19,537                   | 20,683                   |
| Total .....                                                                                     | 30,585                   | 34,391                   |
| Capital accounts:                                                                               |                          |                          |
| Subordinated income notes (Note 4) .....                                                        | 139,146                  | 114,603                  |
| Stockholders' equity .....                                                                      | 215,650                  | 211,336                  |
| Contingent liabilities and commitments (Notes 11 and 12)                                        | <u>\$599,208</u>         | <u>\$553,500</u>         |

See accompanying notes to consolidated financial statements.



# Consolidated Statement of Changes in Financial Position

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



(All dollars in thousands)

**1973**

Fifty-two weeks ended  
January 26, 1974

**1972**

Fifty-two weeks ended  
January 27, 1973

## SOURCE OF FUNDS

|                                                                                                         |                 |                 |
|---------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Earnings before extraordinary item .....                                                                | \$24,929        | \$22,371        |
| Depreciation and amortization .....                                                                     | 10,624          | 12,089          |
| Net earnings of unconsolidated subsidiaries .....                                                       | (7,443)         | (7,045)         |
| Funds derived from operations .....                                                                     | 28,110          | 27,415          |
| Issuance of subordinated income notes .....                                                             | 27,910          | 16,602          |
| Issuance of long-term debt .....                                                                        | —               | 1,182           |
| Carrying value of property and equipment disposals .....                                                | 1,998           | 6,922           |
| Issuance of common stock .....                                                                          | 791             | 1,732           |
| Decrease in investments .....                                                                           | 9,447           | 4,898           |
| Proceeds from sale of Claude Neon Advertising, Ltd.<br>stock, less \$2,803 of net working capital ..... | —               | 15,097          |
| Other .....                                                                                             | 1,836           | —               |
|                                                                                                         | <u>\$70,092</u> | <u>\$73,848</u> |

## USE OF FUNDS

|                                                                  |                 |                 |
|------------------------------------------------------------------|-----------------|-----------------|
| Cash dividends .....                                             | \$ 7,871        | \$ 8,382        |
| Reduction of subordinated income notes .....                     | 3,367           | 2,098           |
| Reduction of long-term debt .....                                | 3,806           | 28,455          |
| Additions to property and equipment .....                        | 8,819           | 11,132          |
| Acquisition of treasury stock .....                              | 2,597           | 31,013          |
| Settlement of GOA lawsuit .....                                  | 11,370          | —               |
| Decrease (increase) in deferred credits .....                    | (663)           | 338             |
| Other .....                                                      | —               | 1,236           |
| Change in working capital by component parts:                    |                 |                 |
| Cash and other assets .....                                      | \$39,733        | \$16,657        |
| Receivables .....                                                | (4,340)         | (22,797)        |
| Inventories .....                                                | 17,526          | 10,150          |
| Notes payable and current instalments<br>of long-term debt ..... | 1,549           | 4,082           |
| Accounts payable and<br>accrued liabilities .....                | (24,675)        | (10,527)        |
| Current and deferred income taxes .....                          | 3,132           | ( 6,371)        |
|                                                                  | <u>32,925</u>   | <u>( 6,371)</u> |
|                                                                  | <u>\$70,092</u> | <u>\$73,848</u> |

See accompanying notes to consolidated financial statements.



# Consolidated Statement of Stockholders' Equity

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



(All dollars in thousands)

|                                                                                                                                               | 1973                                      |                  | 1972                                      |                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------|-------------------------------------------|------------------|
|                                                                                                                                               | Fifty-two weeks ended<br>January 26, 1974 |                  | Fifty-two weeks ended<br>January 27, 1973 |                  |
|                                                                                                                                               | SHARES                                    | AMOUNT           | SHARES                                    | AMOUNT           |
| Preferred stock — voting, cumulative<br>and convertible (Note 6):<br>\$40 par value; \$1.75 per share<br>dividend; authorized 600,000 shares: |                                           |                  |                                           |                  |
| Beginning of year .....                                                                                                                       | 364,331                                   | \$ 14,573        | 398,546                                   | \$ 15,942        |
| Conversion to common shares .....                                                                                                             | (42,462)                                  | (1,698)          | (34,215)                                  | (1,369)          |
| End of year .....                                                                                                                             | <u>321,869</u>                            | <u>12,875</u>    | <u>364,331</u>                            | <u>14,573</u>    |
| \$5 par value; \$1.60 per share<br>dividend; authorized 1,400,000 shares:                                                                     |                                           |                  |                                           |                  |
| Beginning of year .....                                                                                                                       | 1,014,925                                 | 5,075            | 1,082,755                                 | 5,414            |
| Conversion to common shares .....                                                                                                             | (69,777)                                  | (349)            | (67,830)                                  | (339)            |
| End of year (aggregate preference<br>upon involuntary liquidation<br>\$33,080 and \$35,522) .....                                             | <u>945,148</u>                            | <u>4,726</u>     | <u>1,014,925</u>                          | <u>5,075</u>     |
| Common stock, including additional<br>paid-in capital (Note 6):<br>\$5 par value; authorized 10,000,000 shares:                               |                                           |                  |                                           |                  |
| Beginning of year .....                                                                                                                       | 4,952,174                                 | 63,203           | 4,783,110                                 | 59,763           |
| Acquisition of minor pooled<br>company not restated .....                                                                                     | —                                         | (3,565)          | —                                         | —                |
| Conversion of preferred shares ....                                                                                                           | 113,130                                   | 2,047            | 103,070                                   | 1,701            |
| Exercise of stock options .....                                                                                                               | 20,921                                    | 506              | 65,994                                    | 1,739            |
| End of year .....                                                                                                                             | <u>5,086,225</u>                          | <u>62,191</u>    | <u>4,952,174</u>                          | <u>63,203</u>    |
| Retained earnings (Note 7):                                                                                                                   |                                           |                  |                                           |                  |
| Beginning of year .....                                                                                                                       |                                           | 159,498          |                                           | 139,893          |
| Net income .....                                                                                                                              |                                           | 24,929           |                                           | 27,987           |
| Retained earnings of minor pooled<br>company not restated .....                                                                               |                                           | 432              |                                           | —                |
| Cash dividends:                                                                                                                               |                                           |                  |                                           |                  |
| Preferred .....                                                                                                                               |                                           | ( 2,186)         |                                           | ( 2,320)         |
| Common .....                                                                                                                                  |                                           | ( 5,685)         |                                           | ( 6,062)         |
| Settlement of GOA lawsuit (Note 10) ..                                                                                                        |                                           | (11,370)         |                                           | —                |
| End of year .....                                                                                                                             |                                           | <u>165,618</u>   |                                           | <u>159,498</u>   |
| Common stock reacquired and held in<br>treasury, at cost:                                                                                     |                                           |                  |                                           |                  |
| Beginning of year .....                                                                                                                       | (854,416)                                 | (31,013)         | —                                         | —                |
| Purchased at cost .....                                                                                                                       | ( 86,974)                                 | ( 2,597)         | (854,416)                                 | (31,013)         |
| Issued for acquisition of<br>Woman's World — minor<br>pooled company not restated ....                                                        | <u>106,061</u>                            | <u>3,850</u>     | <u>—</u>                                  | <u>—</u>         |
| End of year .....                                                                                                                             | <u>(835,329)</u>                          | <u>(29,760)</u>  | <u>(854,416)</u>                          | <u>(31,013)</u>  |
| Total stockholders' equity .....                                                                                                              |                                           | <u>\$215,650</u> |                                           | <u>\$211,336</u> |

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



## Summary of Accounting Policies

The company's accounting policies conform with generally accepted accounting principles and have been applied on a consistent basis. Significant policies are outlined below.

**DEFINITION OF FISCAL YEAR.** The company's fiscal year ends on the last Saturday in January. Fiscal 1973 ended on January 26, 1974 and fiscal 1972 on January 27, 1973. Each year is comprised of 52 weeks.

**PRINCIPLES OF CONSOLIDATION.** The consolidated financial statements include all accounts except the following service subsidiaries: (1) a life insurance subsidiary and nine other subsidiaries, all of which in the aggregate are not significant and, (2) finance subsidiaries. Condensed financial information for finance subsidiaries is presented on page 26 of this annual report. Investments in subsidiaries not consolidated are carried at underlying equity values.

Pre-tax earnings of unconsolidated service subsidiaries, reflected in the Statement of Earnings as a reduction of operating and administrative expense, are \$13,989,000 for 1973 and \$12,255,000 for 1972.

**FOREIGN EXCHANGE TRANSACTIONS.** Net current assets of Canadian subsidiaries are translated to U. S. dollar equivalents at period ending exchange rates and other assets and long-term debt at rates prevailing on dates of acquisition. Unrealized losses on foreign exchange in 1973 and 1972 are insignificant, as are cumulative unrealized gains which are deferred.

**INVENTORIES.** Merchandise inventories are comprised principally of general merchandise and food and are stated at lower of cost (first-in, first-out) or realizable market.

**DEPRECIATION.** Property and equipment is depreciated over the estimated service lives or, in the case of leasehold improvements, over the period of leases if shorter. Depreciation and amortization is provided generally on the straight-line method for financial reporting and on accelerated methods for income taxes.

**EXCESS COST.** Substantially all excess cost arose from business acquisitions prior to 1970 and will be carried at cost until evidence of impairment of value. Excess cost arising from acquisitions since 1970 is being amortized.

**INCOME TAXES.** For financial reporting, deferred income taxes are provided for expenses and income recognized in different periods for income tax purposes. Deferred income taxes arise principally from timing differences related to instalment sales, depreciation and undistributed foreign earnings.

Deferred income taxes from timing differences on instalment sales are included in the financial statements as current liabilities. All other deferred income taxes are included in deferred credits.

It is the policy of the company to accrue taxes on the earnings of the Canadian subsidiary companies which are intended to be remitted to the parent company in the near future. No provision for U.S. income taxes has been made on approximately \$50,000,000 of undistributed earnings of the Canadian companies that have been indefinitely reinvested in the subsidiaries' business.

Investment credit has been used to reduce income taxes in the year the property was acquired (\$298,000 in 1973 and \$277,000 in 1972).

**EARNINGS PER SHARE.** Primary earnings per share have been computed by dividing net income after provision for preferred dividends by the weighted average number of common shares and common equivalent shares (dilutive stock options and warrants) outstanding during the year. The average number of such shares outstanding was 4,206,000 in 1973 and 4,900,000 in 1972.

Fully diluted earnings per share is computed assuming conversion of all convertible preferred stock (with appropriate elimination of preferred dividend requirements) and issuance of all shares reserved for stock options and warrants deemed to be common stock equivalents. The average number of such shares outstanding was 5,562,000 in 1973 and 6,336,000 in 1972.



# Notes to Consolidated Financial Statements Cont.

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



| (1) Receivables                             | (thousands)     |                 |
|---------------------------------------------|-----------------|-----------------|
|                                             | 1973            | 1972            |
| Equity in instalment accounts sold .....    | \$31,803        | \$33,035        |
| Other trade receivables .....               | 12,848          | 12,975          |
| Dealer accounts .....                       | 2,867           | 4,062           |
| Miscellaneous, principally affiliates ..... | 8,191           | 11,007          |
| Total accounts receivable .....             | 55,709          | 61,079          |
| Less: Allowance for doubtful accounts ..... | 13,893          | 14,824          |
| Deferred finance charges .....              | 4,966           | 5,065           |
| Net receivables .....                       | <u>\$36,850</u> | <u>\$41,190</u> |

The allowance for doubtful accounts provides for the company's exposure on all receivables listed above and those sold to finance subsidiaries.

| (2) Property and Equipment (at cost)           | (thousands)      |                  |
|------------------------------------------------|------------------|------------------|
|                                                | 1973             | 1972             |
| Land .....                                     | \$ 9,970         | \$ 9,761         |
| Buildings and equipment .....                  | 146,564          | 148,792          |
|                                                | 156,534          | 158,553          |
| Less allowance for depreciation .....          | 77,351           | 74,588           |
|                                                | 79,183           | 83,965           |
| Leasehold improvements less amortization ..... | 12,625           | 11,646           |
|                                                | <u>\$ 91,808</u> | <u>\$ 95,611</u> |

## (3) Long-term Debt

The long-term obligations of the operating companies are principally unsecured and mature through 1995, paying interest at a weighted average rate of 6.4% (range 4½% - 9¾%). The long-term obligations of the real estate companies are mortgage notes maturing through 1999, paying interest at a weighted average rate of 6.0% (range 4½% - 8½%).

Annual sinking fund and principal payments on long-term debt and subordinated income notes (Note 4) during the next five years are as follows: 1974 - \$4,046,000; 1975 - \$4,208,000; 1976 - \$3,472,000; 1977 - \$29,146,000; 1978 - \$3,807,000.

## (4) Subordinated Income Notes

Subordinated income notes maturing from 1974 to 2003 pay interest at a weighted average rate of 8.4% (range 6½% - 10%).

## (5) Pension and Thrift Sharing Plans

Contributions to employees' pension and thrift sharing plans include payments to various retirement plans. It is the company's policy to fund normal cost accrued and interest on prior service costs. The actuarially computed value of vested benefits is fully funded. The Gamble-Skogmo, Inc. and Subsidiaries Pension Plan is administered by a wholly-owned life insurance subsidiary.

## (6) Capital Stock

Each share of \$1.75 preferred stock is convertible into 9,270/10,000ths of a share of common stock until October 31, 1978, and 8,240/10,000ths of a share to October 31, 1983, on which date conversion rights expire. The stock is redeemable at the option of the company at \$41.25 per share plus accrued and unpaid dividends with annual reductions of 25¢ per share to \$40.00 per share on and after November 1, 1978. Sinking fund requirements, equal to 5% per year of shares issued, commence in 1983.

Each share of \$1.60 preferred stock is convertible into one share of common stock until November 30, 1974; 9/10ths of a share to November 30, 1979, and 8/10ths of a share to November 30, 1984, on which date conversion rights expire. The stock is redeemable at the option of the company and in the event of involuntary liquidation at \$35.00 per share plus accrued and unpaid dividends. Sinking fund requirements, equal to 5% of shares issued, commence in 1984.

Common shares were reserved as follows:

|                                      | 1973             | 1972             |
|--------------------------------------|------------------|------------------|
| Conversion of preferred stock .....  | 1,243,521        | 1,390,185        |
| Employee stock options .....         | 446,063          | 494,315          |
| Common stock purchase warrants ..... | 272,227          | 272,227          |
|                                      | <u>1,961,811</u> | <u>2,156,727</u> |

Under the company's option plans for executives and key employees, options are granted at market value and are exercisable from one to five years after date of grant.

Shares under option were as follows:

|                                                     | 1973               | 1972               |
|-----------------------------------------------------|--------------------|--------------------|
| Outstanding beginning of year .....                 | 258,634            | 274,465            |
| Granted .....                                       | 48,860             | 65,500             |
| Exercised .....                                     | (20,921)           | (65,994)           |
| Expired .....                                       | (57,611)           | (15,337)           |
| Outstanding end of year .....                       | 228,962            | 258,634            |
| Shares exercisable .....                            | 49,041             | 67,055             |
| Aggregate option price for shares outstanding ..... | <u>\$6,145,000</u> | <u>\$7,092,000</u> |

Warrants to purchase common stock issued in connection with the sale of subordinated income notes are exercisable at prices ranging from \$25.50 to \$40.00 per share and expire from August 1975 to January 1984.

## (7) Retained Earnings

Retained earnings of an unconsolidated service subsidiary are restricted as to payment of dividends by terms of long-term debt indentures and agreements in the amount of \$10,263,000.

## Notes to Consolidated Financial Statements Cont.

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



### (8) Consumer Credit Operations

The results of the consumer credit operations which are included in operating and administrative expense in the accompanying Consolidated Statement of Earnings are as follows:

|                                                                                                                  | (thousands) |          |
|------------------------------------------------------------------------------------------------------------------|-------------|----------|
|                                                                                                                  | 1973        | 1972     |
| Finance charge income .....                                                                                      | \$53,239    | \$54,419 |
| Operating expense (including credit sales expense, collection expense, and provision for doubtful accounts) .... | 27,416      | 31,288   |
| Interest expense .....                                                                                           | 18,685      | 14,650   |
| Income taxes .....                                                                                               | 3,569       | 4,240    |
| Total expense .....                                                                                              | 49,670      | 50,178   |
| Net consumer credit operations earnings                                                                          | \$ 3,569    | \$ 4,241 |

Interest expense reflects the average cost of borrowings of the finance subsidiaries of 7.34% in 1973 and 5.68% in 1972 applied to the average balance of customer receivables reduced by deferred income taxes.

### (9) Income Tax Expense

Income tax expense is made up of the following components:

|                       | (thousands) |          |
|-----------------------|-------------|----------|
|                       | 1973        | 1972     |
| Current tax expense:  |             |          |
| Federal .....         | \$15,092    | \$13,730 |
| Canadian .....        | 6,758       | 6,366    |
| State and local ..... | 2,508       | 1,476    |
| Deferred tax expense: |             |          |
| Federal .....         | (1,228)     | (1,515)  |
| Canadian .....        | 727         | 202      |
|                       | \$23,857    | \$20,259 |

Deferred taxes arose from timing differences related to the following:

|                                                         | (thousands) |            |
|---------------------------------------------------------|-------------|------------|
|                                                         | 1973        | 1972       |
| Instalment sales .....                                  | \$ (1,283)  | \$ (1,889) |
| Depreciation .....                                      | 135         | 289        |
| Other, principally undistributed foreign earnings ..... | 647         | 287        |
|                                                         | \$ (501)    | \$ (1,313) |

### (10) Settlement of GOA Lawsuit

During 1973 a final judgment was entered against the company in connection with the previously reported litigation arising out of the 1963 merger of General Outdoor Advertising Co., Inc. into the company. A portion of the judgment constitutes principal and is accounted for as though additional preferred stock had been issued at the time of the merger and had subsequently been redeemed for cash. The interest portion has been treated as a payment in lieu of dividends on the additional preferred stock assumed to have been issued. As a result, payment of the judgment will not affect earnings before preferred dividends and the effect on earnings per share is not material. The entire judgment of \$10,744,000, which includes interest of \$3,998,000, together with costs of \$3,798,000, has been charged to retained earnings, net of related tax benefits of \$3,172,000.

### (11) Contingent Liabilities and Commitments

Notes sold to banks under purchase-guarantee agreements are unconditionally guaranteed by Gamble-Skogmo, Inc. The uncollected balance of such notes was \$41,440,000 at January 26, 1974 and \$38,466,000 at January 27, 1973. All payments of principal and interest were on a current basis. The company has guaranteed indebtedness of unconsolidated service subsidiaries of approximately \$12,000,000 plus an additional \$20,000,000 which the subsidiary may repay from the proceeds of a future five year term loan which will not be guaranteed by the company.

### (12) Lease Liability

The company conducts the major part of its operations from leased premises. For purposes of the following disclosure, the company has made a distinction between "financing" lease arrangements and other lease arrangements. A "financing" lease is one which, during the noncancelable lease period, either (i) covers 75 percent or more of the economic life of the property or (ii) has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on his investment.



## Notes to Consolidated Financial Statements Cont.

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES



### (12) Lease Liability (Cont.)

Total rental expense for the last two years was as follows:

|                          | (thousands)     |                 |
|--------------------------|-----------------|-----------------|
|                          | 1973            | 1972            |
| Financing leases:        |                 |                 |
| Minimum rentals .....    | \$11,830        | \$11,968        |
| Contingent rentals ..... | 1,028           | 1,249           |
| Sublease rentals .....   | (1,335)         | (1,171)         |
|                          | <u>11,523</u>   | <u>12,046</u>   |
| Other leases:            |                 |                 |
| Minimum rentals .....    | 17,442          | 18,589          |
| Contingent rentals ..... | 1,156           | 1,160           |
| Sublease rentals .....   | (5,767)         | (5,247)         |
|                          | <u>12,831</u>   | <u>14,502</u>   |
|                          | <u>\$24,354</u> | <u>\$26,548</u> |

Contingent rentals are determined on the basis of a percentage of sales in certain leased stores.

At January 26, 1974, minimum rental commitments under all noncancelable leases (reduced by sublease rentals) expire as follows:

|                    | (thousands)      |                          |         |                                   |
|--------------------|------------------|--------------------------|---------|-----------------------------------|
|                    | Type of Property |                          |         | Total                             |
| Year Ended January | Real Property    | Transportation Equipment | Other   | Financing All Other Leases Leases |
| 1975 .....         | \$16,631         | \$2,025                  | \$1,350 | \$11,411 \$ 8,595                 |
| 1976 .....         | 15,764           | 1,652                    | 818     | 10,740 7,494                      |
| 1977 .....         | 14,873           | 1,320                    | 660     | 10,224 6,629                      |
| 1978 .....         | 13,996           | 982                      | 498     | 9,458 6,018                       |
| 1979 .....         | 12,858           | 1,196                    | 264     | 9,266 5,052                       |
| 1980-1984          | 51,593           | 735                      | 1,148   | 36,450 17,026                     |
| 1985-1989          | 28,729           | —                        | 185     | 20,340 8,574                      |
| 1990-1994          | 11,624           | —                        | 183     | 9,167 2,640                       |
| Subsequent         | 10,764           | —                        | —       | 9,956 808                         |

The above minimum rental commitments which apply principally to real property have been reduced by the following sublease rentals:

|                     | (thousands)      |                  |
|---------------------|------------------|------------------|
| Years Ended January | Financing Leases | All Other Leases |
| 1975 .....          | \$791            | \$5,139          |
| 1976 .....          | 711              | 4,558            |
| 1977 .....          | 598              | 3,979            |
| 1978 .....          | 510              | 3,251            |
| 1979 .....          | 386              | 2,623            |
| 1980-1984 .....     | 576              | 7,481            |
| 1985-1989 .....     | 45               | 2,122            |
| 1990-1994 .....     | —                | 58               |
| Subsequent .....    | <u>—</u>         | <u>—</u>         |

Substantially all leases included above provide that the company pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased premises.

The present values of the aggregate minimum lease commitments, net of sublease rentals, relating to the "finance" leases at January 26, 1974 and January 27, 1973 were approximately \$75,000,000 and \$77,900,000 respectively, based upon interest rates ranging from 3¾% to 9%. The weighted average interest rate was 6.5% for both 1973 and 1972.

If all of the above "finance" leases were capitalized, the lease rights amortized on a straight-line basis and interest expense accrued on the basis of the outstanding lease liability, net earnings for 1973 and 1972 would have been affected by less than 3%.

## Significant Comparisons

GAMBLE-SKOGMO, INC. AND CONSOLIDATED SUBSIDIARIES

| (All dollars in thousands except amounts per share)    | 1973        | 1972        | 1971        |
|--------------------------------------------------------|-------------|-------------|-------------|
| <b>Results for the year:</b>                           |             |             |             |
| Net sales and operating revenues .....                 | \$1,394,883 | \$1,348,826 | \$1,315,092 |
| Earnings before income taxes and minority interest ... | 48,786      | 42,630      | 36,199      |
| Federal, state and Canadian taxes .....                | 23,857      | 20,259      | 16,874      |
| Net earnings .....                                     | 24,929      | 22,371*     | 19,127      |
| Cash dividends (including preferred) .....             | 7,871       | 8,382       | 8,462       |
| <b>Per share of common stock:</b>                      |             |             |             |
| Earnings per share including common equivalents ....   | 5.32        | 4.09*       | 3.56        |
| Cash dividends .....                                   | 1.35        | 1.30        | 1.30        |
| Book value .....                                       | 39.83       | 39.21       | 34.81       |
| Book value assuming conversion of preferred stock ...  | 39.25       | 38.51       | 35.21       |
| <b>Year end position:</b>                              |             |             |             |
| Inventories .....                                      | 230,396     | 212,870     | 202,720     |
| Net working capital .....                              | 177,465     | 144,540     | 153,346     |
| Current ratio .....                                    | 1.9 to 1    | 1.8 to 1    | 1.9 to 1    |
| Capital accounts:                                      |             |             |             |
| Subordinated income notes .....                        | 139,146     | 114,603     | 100,099     |
| Stockholders' equity .....                             | 215,650     | 211,336     | 221,012     |
| <b>Number of :</b>                                     |             |             |             |
| Full time employees .....                              | 19,500      | 21,474      | 22,166      |
| Square feet of selling space .....                     | 8,860,000   | 8,990,000   | 8,839,000   |
| Company-owned stores .....                             | 673         | 674         | 711         |
| Authorized dealers .....                               | 2,850       | 2,872       | 3,158       |
| Common shares outstanding at year end** .....          | 4,250,896   | 4,097,758   | 4,783,110   |
| Shareholders .....                                     | 14,976      | 15,244      | 16,108      |
| Subordinated income note holders .....                 | 17,529      | 12,540      | 10,017      |

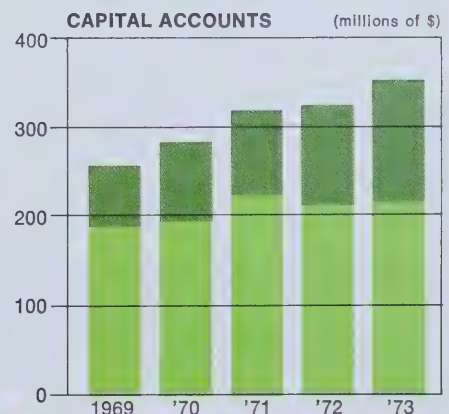
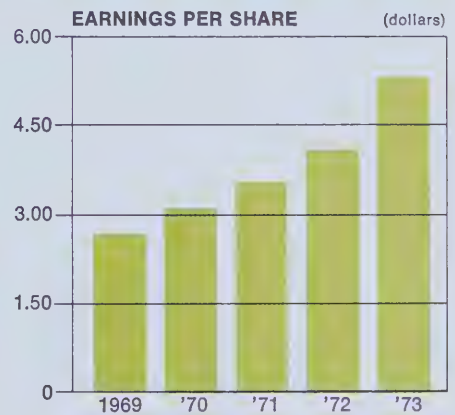
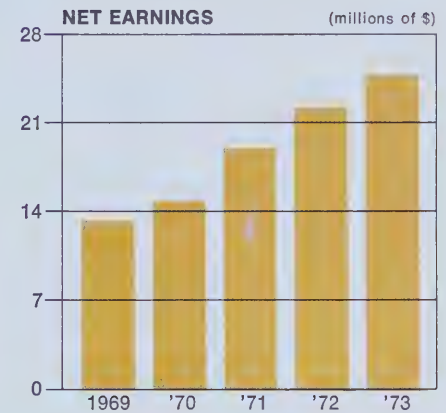
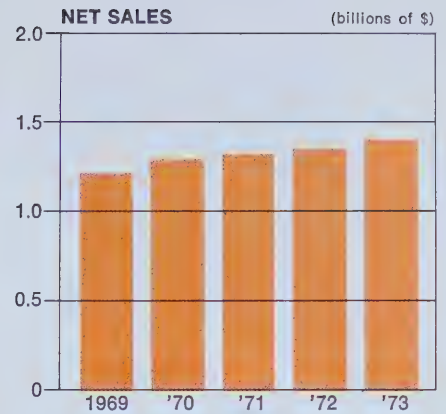
\*Excludes extraordinary item of \$5,616 (\$1.15 per share)

\*\*Excludes shares of treasury stock in 1972 and 1973





| 1970        | 1969        | 1968        | 1967       | 1966       |
|-------------|-------------|-------------|------------|------------|
| \$1,296,704 | \$1,258,404 | \$1,144,165 | \$ 910,312 | \$ 701,501 |
| 31,637      | 28,296      | 28,680      | 25,509     | 28,022     |
| 15,887      | 14,390      | 14,723      | 12,997     | 14,445     |
| 15,066      | 13,206      | 13,173      | 11,995     | 13,279     |
| 8,165       | 8,062       | 7,612       | 7,407      | 7,058      |
|             |             |             |            |            |
| 3.08        | 2.66        | 2.81        | 2.51       | 2.90       |
| 1.30        | 1.30        | 1.30        | 1.30       | 1.25       |
| 31.87       | 29.83       | 28.69       | 26.28      | 24.95      |
| 33.39       | 32.21       | 31.60       | 30.16      | 29.31      |
|             |             |             |            |            |
| 214,173     | 198,739     | 212,562     | 187,388    | 171,359    |
| 174,236     | 192,458     | 174,399     | 162,977    | 209,261    |
| 2.0 to 1    | 2.3 to 1    | 2.3 to 1    | 2.5 to 1   | 2.5 to 1   |
| 88,021      | 71,757      | 69,085      | 37,718     | 6,404      |
| 193,672     | 186,466     | 175,753     | 163,588    | 159,207    |
|             |             |             |            |            |
| 24,275      | 26,349      | 26,741      | 27,286     | 23,768     |
| 8,931,000   | 9,155,000   | 9,494,000   | 8,656,000  | 6,531,000  |
| 799         | 802         | 907         | 987        | 782        |
| 3,205       | 3,205       | 3,193       | 3,315      | 3,074      |
| 3,999,620   | 3,839,951   | 3,602,430   | 3,454,885  | 3,454,460  |
| 17,345      | 18,101      | 17,299      | 17,059     | 16,476     |
| 7,566       | 4,277       | 3,549       | 3,789      | 2,551      |



Stockholders' Equity Subordinated Income Notes

# **Unconsolidated Finance Subsidiaries Condensed Financial Information**

GAMBLE-SKOGMO, INC.



(All dollars in thousands)

**1973**

Fifty-two weeks ended  
January 26, 1974

**1972**

Fifty-two weeks ended  
January 27, 1973

## **FINANCIAL POSITION**

### **Assets**

|                                                                                |                  |                  |
|--------------------------------------------------------------------------------|------------------|------------------|
| Customer instalment accounts less portion<br>withheld pending collection ..... | \$275,611        | \$275,935        |
| Cash and other assets .....                                                    | 19,181           | 16,395           |
|                                                                                | <u>\$294,792</u> | <u>\$292,330</u> |

### **Liabilities and Equity**

|                                                              |                  |                  |
|--------------------------------------------------------------|------------------|------------------|
| Notes payable and current instalments of long-term debt .... | \$163,440        | \$153,296        |
| Other liabilities .....                                      | 3,149            | 5,903            |
| Long-term debt, excluding current instalments:               |                  |                  |
| Senior .....                                                 | 49,999           | 47,732           |
| Subordinated .....                                           | 13,037           | 16,060           |
| Total .....                                                  | 63,036           | 63,792           |
| Equity .....                                                 | 65,167           | 69,339           |
|                                                              | <u>\$294,792</u> | <u>\$292,330</u> |

## **OPERATIONS**

|                                                                            |                 |                 |
|----------------------------------------------------------------------------|-----------------|-----------------|
| Income, principally on investment in customer<br>instalment accounts ..... | \$ 24,342       | \$ 17,458       |
| Expenses, principally interest .....                                       | 14,928          | 10,480          |
| Earnings before income taxes .....                                         | 9,414           | 6,978           |
| Provision for income taxes .....                                           | 4,860           | 3,582           |
| Net earnings .....                                                         | <u>\$ 4,554</u> | <u>\$ 3,396</u> |

The finance subsidiaries provide financing for Gamble-Skogmo, Inc. customer accounts. Income received by the finance subsidiaries is designed to equal at least 1½ times the finance subsidiaries' fixed charges.



## Principal Offices, Divisions & Subsidiaries



### OPERATIONS IN THE UNITED STATES —

#### MINNEAPOLIS, MINNESOTA:

5100 Gamble Drive (55416)

GAMBLE-SKOGMO, INC.  
Corporate headquarters, Phone 612-374-6123

GAMBLE ALDEN AGENCY, INC.  
Markets multiple-line insurance coverages

GAMBLE ALDEN LIFE INSURANCE COMPANY  
Provides life, health and credit insurance

GAMBLE DEVELOPMENT COMPANY  
Provides management services to shopping centers

GAMBLE RENTS DIVISION  
Leases home furnishings

GAMBLE STORES DIVISION  
Operates and franchises hardlines stores

GAMBLES AUTOMOBILE LEASING  
CORPORATION OF AMERICA, INC.  
Provides management services to motor  
vehicle leasing companies

GAMBLES C & M LEASING COMPANY  
Leases motor vehicles to fleet operators

GAMBLES INSURANCE COMPANY  
Provides multiple-line insurance coverages

GAMBLES INTERNATIONAL LEASING CORPORATION  
Leases plant and office equipment to commercial  
and industrial accounts

GAMBLES LEASE INSURANCE CORPORATION  
Writes property lease guaranty insurance for Gambles  
and other companies

SKOGMO STORES DIVISION  
Franchises softlines stores

TEMPO-BUCKEYE STORES DIVISION  
Operates mass merchandising stores

#### HOPKINS, MINNESOTA:

215 East Excelsior Avenue (55343)

RED OWL STORES, INC.  
Operates and franchises food stores

SNYDER'S DRUG STORES, INC.  
Operates and franchises drug stores

#### ST. PAUL, MINNESOTA:

441 Wabasha (55102)

GAMBLES CONTINENTAL STATE BANK  
Provides general banking services

#### BURBANK, CALIFORNIA:

2130 North Hollywood Way (91505)  
MODE O'DAY DIVISION  
Operates and franchises dress shops; operates factories

2709 North Ontario Street (91504)  
GAMBLES DATAMATION CENTER  
Offers computer programming service to Gambles  
and other companies

2777 North Ontario Street (91504)  
GAMBLES IMPORT CORPORATION  
Provides corporate import buying services

RASCO STORES DIVISION  
Operates and franchises variety stores, mass merchandising  
stores and toy stores

#### CHICAGO, ILLINOIS:

5000 West Roosevelt Road (60607)

ALDENS, INC.  
Offers catalog merchandise

GAMBLE DEPARTMENT STORES, INC.  
Operates department stores

#### HASTINGS, NEBRASKA:

2635 West Second Street (68901)

J. M. McDONALD CO. DIVISION  
Operates department stores

#### LA MESA, CALIFORNIA:

8000 Parkway Drive (92041)

WOMAN'S WORLD FINANCIAL CORPORATION  
Operates women's ready-to-wear shops

#### LENEXA, KANSAS:

8101 Lenexa Drive (66214)

GAMBLES HOUSE OF FABRICS DIVISION  
Operates and franchises fabric shops

#### NEW YORK, NEW YORK:

450 West 33rd Street (10001)

GAMBLES CORPORATE BUYING DIVISION  
Provides corporate buying services of softline fashion goods

#### RENO, NEVADA:

First National Bank Building  
1 East First Street (89504)

GAMBLES CREDIT CORPORATION  
Purchases receivables from the parent company, its subsidiaries  
and its franchised dealers

### OPERATIONS IN CANADA —

#### TORONTO, ONTARIO:

7622 Keele Street

STEDMANS DIVISION  
Operates and franchises variety stores

#### WINNIPEG, MANITOBA:

1530 Gamble Place

GAMBLES CANADA LIMITED  
Directs all Canadian merchandising operations

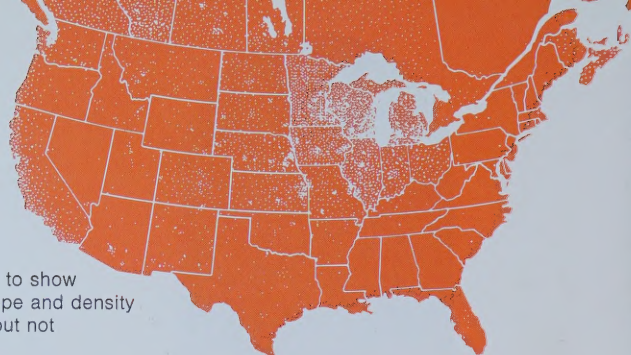
GAMBLES CANADA ACCEPTANCE LIMITED  
Purchases installment receivables from the Canadian  
merchandising divisions and their franchised dealers

MACLEODS DIVISION  
Operates general merchandise and mass merchandising  
stores and franchises general merchandise stores



as of January 26, 1974

This map is intended to show the geographical scope and density of our retail outlets, but not exact locations.



**COMPANY-OWNED STORES**

|                              | UNITED STATES               |                        |           |                    |           |                     |         |                    |           |                   |           |                         |           |                    |                          |                      |                    |              |                                |           |               |          |                         |         | Total |
|------------------------------|-----------------------------|------------------------|-----------|--------------------|-----------|---------------------|---------|--------------------|-----------|-------------------|-----------|-------------------------|-----------|--------------------|--------------------------|----------------------|--------------------|--------------|--------------------------------|-----------|---------------|----------|-------------------------|---------|-------|
|                              | Alabama<br>Arizona          | Arkansas<br>California | Colorado  | Florida<br>Georgia | Idaho     | Illinois<br>Indiana | Iowa    | Kansas<br>Kentucky | Louisiana | Maine<br>Michigan | Minnesota | Mississippi<br>Missouri | Montana   | Nebraska<br>Nevada | New Mexico<br>New Jersey | North Dakota<br>Ohio | Oklahoma<br>Oregon | Pennsylvania | South Carolina<br>South Dakota | Tennessee | Texas<br>Utah | Virginia | Washington<br>Wisconsin | Wyoming |       |
| COMPANY-OWNED STORES         | Buckeye Mart                |                        |           |                    |           |                     |         |                    |           |                   |           |                         |           |                    | 19                       |                      |                    |              |                                |           |               |          |                         | 19      |       |
|                              | Tempo                       |                        | 4         |                    | 2         | 3 1 2               | 2       |                    |           | 7 9               | 2 2       | 5                       |           |                    | 4                        |                      |                    |              | 3                              |           |               |          | 3 1                     | 50      |       |
|                              | Gamble Department           |                        | 1 2       |                    |           | 3 5 2               |         | 3 1                | 1 1       |                   |           |                         |           |                    | 1                        |                      | 1                  | 1            | 1                              |           | 2             |          |                         | 25      |       |
|                              | McDonald Department         | 1                      | 10 8      |                    | 1         |                     |         | 23                 |           |                   |           | 5                       | 27        |                    |                          |                      | 2                  |              |                                |           | 2             |          | 3                       | 82      |       |
|                              | Gamble                      |                        | 4         |                    |           | 3 2 9               | 3       |                    |           | 5 4               | 2 5       | 7                       | 1         |                    |                          |                      |                    |              | 3                              |           |               |          | 6 3                     | 57      |       |
|                              | House of Fabrics            |                        |           | 7                  |           | 1 4 2               | 9 1     |                    |           | 5 2               | 10        | 3                       |           |                    | 3                        | 4                    | 1                  |              | 1                              | 3 1       |               |          | 3                       | 60      |       |
|                              | Mode O'Day                  | 1                      | 8         |                    |           | 3 3                 | 1       |                    |           | 2 1               | 1 3       | 2                       | 1         |                    | 1 2                      | 1                    |                    |              |                                |           | 4 1           |          | 1                       | 36      |       |
|                              | Rasco                       |                        | 1         |                    |           |                     |         |                    |           |                   |           |                         |           |                    |                          |                      |                    |              |                                |           |               |          |                         | 1       |       |
|                              | Red Owl                     |                        |           |                    |           |                     | 1       |                    |           | 8 73              |           |                         |           |                    |                          | 11                   |                    |              |                                | 4         |               |          | 32                      | 129     |       |
|                              | Snyder                      |                        |           |                    |           |                     |         |                    |           |                   | 30        |                         |           |                    |                          |                      |                    |              |                                |           |               |          | 7                       | 37      |       |
|                              | Aldens Catalog Sales Office |                        |           |                    |           | 1                   |         |                    |           |                   |           |                         |           |                    |                          |                      |                    |              |                                |           |               |          |                         | 1       |       |
|                              | Woman's World               | 1                      | 9         |                    | 2 1       |                     |         |                    |           |                   |           |                         |           |                    |                          |                      |                    |              |                                |           |               | 1        | 3                       |         | 17    |
| Total - Company-Owned Stores | 1 2                         | 1 30 23                | 2 1 3     | 11 15 19           | 38 4 1    | 1 28 119            | 1 17 12 | 44 2               | 16 25     | 7 2               | 1 11 1    | 9 5                     | 3 52 7    | 514                |                          |                      |                    |              |                                |           |               |          |                         |         |       |
| FRANCHISED DEALERS           | Gamble                      | 5                      | 1 64      | 16                 | 72 30 103 | 75 6                | 126 166 | 55 59              | 109 19    | 48 12             | 2 1       | 56                      | 2 4       | 152 22             | 1,205                    |                      |                    |              |                                |           |               |          |                         |         |       |
|                              | Skogmo                      |                        | 3         |                    | 7 7       | 10 39               | 8 11    | 7                  | 6         |                   |           |                         |           | 36 1               | 135                      |                      |                    |              |                                |           |               |          |                         |         |       |
|                              | House of Fabrics            |                        | 1 5       | 3 4                | 3 1       | 1                   | 1       |                    | 1 1 1     |                   |           |                         |           | 1                  | 3 1                      | 27                   |                    |              |                                |           |               |          |                         |         |       |
|                              | Mode O'Day                  | 14                     | 19 148 24 | 19                 | 28 6 31   | 37 3 2              | 7 6     | 39 10              | 18 9 15   | 1 5               | 18 47 1   | 4 2                     | 54 18     | 40 9 8             | 642                      |                      |                    |              |                                |           |               |          |                         |         |       |
|                              | Rasco                       | 9                      | 116       | 4                  |           |                     | 2       | 1 17               |           | 1                 |           |                         | 2         | 9                  | 161                      |                      |                    |              |                                |           |               |          |                         |         |       |
|                              | Red Owl                     |                        |           |                    | 9         | 12 113              |         |                    | 38        |                   |           | 27                      |           | 63                 | 262                      |                      |                    |              |                                |           |               |          |                         |         |       |
|                              | Snyder                      |                        |           |                    | 4         | 16                  |         |                    |           |                   |           |                         |           | 3                  | 23                       |                      |                    |              |                                |           |               |          |                         |         |       |
| Total - Franchised Dealers   | 28                          | 21 264 96              | 42        | 104 36 154         | 122 9 3   | 156 340             | 95 79   | 138 10 51          | 1 95 18   | 20 49 1           | 93 2      | 58 22 1                 | 49 266 32 | 2,455              |                          |                      |                    |              |                                |           |               |          |                         |         |       |

COMPANY-OWNED STORES

|                                     | COMPANY-OWNED STORES        |                                           |                                         |                                                    |            |  |
|-------------------------------------|-----------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------------------|------------|--|
|                                     | Alberta<br>British Columbia | Manitoba<br>New Brunswick<br>Newfoundland | Nova Scotia<br>Ontario<br>Prince Edward | Quebec<br>Saskatchewan<br>Northwest<br>Territories | Total      |  |
| Macleod                             | 29 14                       | 12                                        | 3                                       | 23                                                 | 81         |  |
| Stedman                             | 9                           | 15 1                                      | 16 34 2                                 | 1                                                  | 78         |  |
| <b>Total - Company-Owned Stores</b> | <b>29 23</b>                | <b>12 15 1</b>                            | <b>16 37 2</b>                          | <b>1 23</b>                                        | <b>159</b> |  |
| Macleod                             | 56 30                       | 38                                        | 4                                       | 57 2                                               | 187        |  |
| Stedman                             | 24 24                       | 4 12                                      | 12 115 3                                | 4 10                                               | 208        |  |
| <b>Total - Franchised Dealers</b>   | <b>80 54</b>                | <b>42 12</b>                              | <b>12 119 3</b>                         | <b>4 67 2</b>                                      | <b>395</b> |  |

### SUMMARY OF STORES

|                      | Domestic     | Canadian   | Total        |
|----------------------|--------------|------------|--------------|
| Company-Owned Stores | 514          | 159        | 673          |
| Franchised Dealers   | 2,455        | 395        | 2,850        |
| <b>Total</b>         | <b>2,969</b> | <b>554</b> | <b>3,523</b> |



## Directors and Officers

### DIRECTORS

Russell M. Bennett, *Attorney and Partner, Gray, Plant, Mooty & Anderson*

B. Fred Davidson, *Retired Officer*

\*Walter H. Davies, Jr., *Vice Chairman of the Board and Chief Financial Officer*

\*Louis E. Dolan, *Vice Chairman of the Board and General Counsel*

\*Bertin C. Gamble, *Chairman of the Board and Chief Executive Officer*

\*Arthur G. Johnson, *Executive Vice President for Buying and Merchandising*

\*Forest R. Lombaer, *Senior Vice President for Personnel*

\*Wayne E. Matschullat, *President*

Burr L. Robbins, *Consultant and former President, General Outdoor Advertising Co., Inc.*

\*Edwin O. Wack, *Senior Vice President*

Carle R. Wunderlich, *Vice President; President, Aldens, Inc.*

Bernard B. Zients, *Consultant and former President, New York department store division of Gimbel Brothers, Inc.*

### OFFICERS

Bertin C. Gamble, *Chairman of the Board and Chief Executive Officer*

Wayne E. Matschullat, *President*

Walter H. Davies, Jr., *Vice Chairman of the Board and Chief Financial Officer*

Louis E. Dolan, *Vice Chairman of the Board and General Counsel*

OFFICE  
OF  
PRESIDENT

Arthur G. Johnson, *Executive Vice President for Buying and Merchandising*

Forest R. Lombaer, *Senior Vice President for Personnel*

Lawrence W. Rixe, *Senior Vice President and Controller*

Edwin O. Wack, *Senior Vice President*

B. Fred Davidson, *Vice President (Retired January 31, 1974)*

Paul E. Grossman, *Vice President*

Robert W. Hill, *Vice President for Procurement*

Roy W. Johnson, *Vice President for Buying*

Lawrence Kanthers, *Vice President for Department Stores*

Frank D. Kollmer, *Vice President for Credit Operations*

William H. Lollar, *Vice President; President, Rasco Stores Division (Deceased February 6, 1974)*

Frank T. Matthews, *Vice President for Store Design, Construction and Display*

Herbert D. Nelson, *Vice President; President, Rasco Stores Division*

Charles E. Trussell, *Vice President and Assistant to the President*

Carle R. Wunderlich, *Vice President; President, Aldens, Inc.*

Charles H. Gauck, *Secretary and Assistant General Counsel*

Norman M. Steck, *Treasurer*

James C. Bowie, *Assistant Controller*

Richard W. Nelson, *Assistant Treasurer*

William E. Oppenheimer, *Assistant Secretary*

\*member of Executive Committee

### TRANSFER AGENTS

First National City Bank  
111 Wall Street  
New York, New York 10015

The First National Bank of Chicago  
One First National Plaza  
Chicago, Illinois 60670

### REGISTRARS

The Chase Manhattan Bank  
1 Chase Manhattan Plaza  
New York, New York 10015

Continental Illinois National Bank  
and Trust Company  
231 South La Salle Street  
Chicago, Illinois 60690



1975 will mark the 50th anniversary of the opening of the company's first retail outlet. The "Mark 50" symbol denotes 50 years of friendly, courteous customer service and it will be used during the 1975 anniversary year to designate special merchandise values offered in stores served by the company's various retail merchandising divisions.



GAMBLE-SKOGMO, INC.  5100 GAMBLE DRIVE, MINNEAPOLIS, MINNESOTA 55416